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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 11/18/08

Index:

1) Japan's economy in recession: Government expects zero GDP growth this fiscal year, greatly revising downward earlier forecast (Mainichi)

Political agenda:

- 2) Prime Minister Aso returns in high spirits from G-20 summit to find economy sinking deeper into recession and no means to counter it (Tokyo Shimbun)
- 3) With polls plummeting, the economy in recession, ruling Liberal Democratic Party moving away from early Diet dissolution to a spring or later scenario (Yomiuri)
- 4) Extension of Diet now seems inevitable, as Ozawa-driven Democratic Party of Japan (DPJ) breaks agreement to allow anti-terror bill to pass on time (Asahi)
- 5) Aso finds himself further in the lurch as own party begins to criticize his handling of Diet affairs, centered on the second supplementary budget (Mainichi)
- 6) DPJ suddenly switches to attack mode in the Diet (Mainichi)
- 7) Other opposition parties criticize DPJ head Ozawa for shifting Diet tactics suddenly (Nikkei)
- 8) Ozawa in meeting with Aso yesterday allegedly said he would resign his Diet seat if the second supplementary budget was not introduced (Yomiuri)

Defense and security affairs:

- 9) Maritime Self-Defense Force trains with Navy carrier George Washington in southern waters (Asahi)
- 10) Despite government ban order, then ASDF chief Tamogami last month allowed jet-mountable cluster bombs to be displayed in parade (Tokyo Shimbun)

11) Iraqi government in negotiation SOFA with the U.S. used U.S.-Japan SOFA as a model (Asahi)

12) Japan slips to 98th place in world ranking of gender equality (Asahi)

Articles:

1) Zero growth for fiscal 2008: Government likely to make substantial downward revision

MAINICHI (Page 1) (Full)
November 18, 2008

The government on November 17 started looking into the possibility of making a substantial downward revision to its projection for economic growth for fiscal 2008. This is because it is now unlikely for the economy to achieve the growth rate estimate projected in July (1.3 PERCENT in real terms, 0.3 PERCENT in nominal terms) with gross domestic product (GDP) for the July-September quarter, released the same day, marking a second consecutive quarterly contraction for the first time in seven years. The government will formally revise the projection in its economic outlook to be compiled in December. The likelihood is strong that since both domestic and foreign demands have further cooled, following the worsening global economy due to the escalation of the financial crisis originating in the U.S., real growth for fiscal 2008 will be revised to almost zero.

A further decline in the global economy, mainly in the U.S. and

TOKYO 00003166 002 OF 009

Europe, is expected in 2009. There is a strong possibility of the government making a downward revision to the outlook for the Japanese economy for fiscal 2009 from 1.6 PERCENT, projected in July, to the 0 PERCENT level.

In connection with the GDP figures released on the 17th, a senior Cabinet Office official explained, "Since the economic climate has changed since, it is imperative to make a downward revision to a growth outlook for fiscal 2008." The Bank of Japan in its Outlook Report has made a significant downward revision to its outlook for the Japanese economy's real growth from the mid-1 PERCENT level to 0.1 PERCENT for fiscal 2008 and to 0.6 PERCENT for fiscal 2009. The government is expected to follow suit with a revision in December. The substantial downward revision to the government outlook for economic growth is bound to put a dent in the state's tax revenues.

The likelihood is that unless the economy fully recovers, the government's goal of moving the primary balance into the black by fiscal 2011 will become unachievable.

2) Economic recovery nowhere in sight

TOKYO SHIMBUN (Page 2) (Full)
November 18, 2008

Prime Minister Taro Aso during the recent emergency summit meeting (financial summit) sent a message on "Aso for the economy" to the world. However, as if to dampen his buoyant mood at the summit, the nation's gross domestic product released by the Cabinet Office on November 17 turned out to be in negative territory. The government was forced to declare that the economy has taken a downward turn. The prime minister, who gives top priority to economic recovery, will continue to face challenges in managing his administration.

Commenting on the financial summit, Chief Cabinet Secretary Takeo Kawamura proudly said, "Japan has set a direction that will go down in history. It is significant that momentum to address the current financial crisis is surging. The prime minister has displayed his presence to the fullest extent."

Aides to the prime minister hoped his success at the summit would lead to a rise in cabinet support ratings. However, when he returned home, the prime minister faced the government announcement that the

economy has taken a downward turn. Commenting on the GDP marking negative growth for two consecutive quarters, Kawamura said, "The future of the economy will be even harsher. We must pay attention to the risks that will pose."

The prime minister is determined to do his utmost to put the economy on a recovery track through expanded domestic demand. However, it is not an easy job. The government has adopted a package of economic stimulus measures worth 11.7 trillion yen in late August and an additional package worth 26.9 trillion yen in late October. However, whether they will help shore up the economy is unclear.

The government and ruling parties fell into confusion over measures incorporated in the package, including an income restriction for a flat-sum cash benefit plan and the transfer of 1 trillion yen drawn from the freed up special road-construction funds to local governments. It remains unclear whether there will be a second supplementary budget, which is designed to finance the packages,

TOKYO 00003166 003 OF 009

submitted to this Diet session.

When he took office, the prime minister said, "It will take three years for the economy to fully recover." Now that he has decided to put off a Lower House dissolution, the prime minister will face the test of achieving concrete results from the economic stimulus package. There is not much time left for "Aso for the economy."

3) Cabinet support ratings falling: Economy shows downturn: LDP mulling Lower House dissolution next spring or later

YOMIURI (Page 3) (Full)
November 18, 2008

Although the Democratic Party of Japan (DPJ) is calling for an early Lower House dissolution, the government and the ruling camp are showing no indications of responding to its demand.

Prime Minister Aso during his stay in Washington on November 14-15 hinted to reporters that he planned to give top priority to passage of the fiscal 2009 budget within the current fiscal year and then would dissolve the Lower House next spring or later. An increasing number of Liberal Democratic Party (LDP) lawmakers now favor this timetable. Referring to Lower House dissolution, Secretary General Hosoda in a speech given on the 17th in Nagoya City underscored: "In my view, given the current economic situation, Lower House dissolution will not take place before next spring. It is logical to consider the timing when Diet affairs are settled for the time, beginning with passage of the fiscal 2009 budget bill."

The economy has taken a downward turn. Cabinet support ratings are continuing to plummet.

Under such circumstances, there is strong skepticism in the LDP regarding whether it has a chance to win, if a Lower House election were held now. Concerning DPJ President Ozawa's latest (hard-line) tactic, some lawmakers take the view that they must not respond to his provocative approach, because if the DPJ tries to aggressively control the Diet, public criticism will be directed at it. However, it is also true that dissatisfaction with the prime minister is lingering in the LDP, because his sole attention is to the economy, the future prospects of which remain unclear.

The stance of the New Komeito, which is only worried about the Tokyo Metropolitan Assembly election next summer, is that it is desirable to set a date for a Lower House election that allows a certain time interval from that event. Concerning the timing for the Lower House election, one senior LDP official on the 17th noted, "There will not be a double election of the Tokyo Metropolitan Assembly election and the Lower House election."

4) Diet extension inevitable; DPJ to renege on agreement to take vote

ASAHI (Top play) (Excerpts)
November 18, 2008

Democratic Party of Japan President Ichiro Ozawa held talks with Prime Minister Taro Aso (president of the Liberal Democratic Party) at the Prime Minister's Office last night and sought the presentation of a second supplementary budget to the Diet in the current session. In response to Aso's unwillingness to give a clear

TOKYO 00003166 004 OF 009

answer, the DPJ has adopted a policy course to scrap an agreement reached between the ruling and opposition camps to take a vote in the Upper House on a bill amending the refueling special measures law before the current Diet session ends on Nov. 30 and to put off an Upper House vote for the time being if the government fails to submit a second supplementary budget. Given the difficulty for bills amending the refueling special measures law and the Financial Function Strengthening Law to clear the Diet in the current session, an extension of the session now seems inevitable. Also linked to the timeframe for submitting a second supplementary budget, the session is likely to fall into confusion.

The first Aso-Ozawa meeting took place for about half an hour at the request of the DPJ.

In the meeting, Ozawa pressed Aso to present a second supplementary budget, saying: "You have not called a general election, saying that the economy is more important than the election. The current situation is strange in view of your logic." In response, the prime minister simply said: "We are in the middle of efforts to submit a budget. I cannot say anything more at this stage."

In response to Aso's elusive answer about a second supplementary budget, the DPJ has decided to renege on its agreement to take a vote on the refueling legislation at the Upper House Foreign Affairs and Defense Committee on Nov. 18. DPJ Upper House Diet Affairs Committee Chairman Susumu Yanase conveyed the decision to his LDP counterpart Seiji Suzuki. In a press conference after the meeting, Ozawa explained: "This does not mean that we will boycott deliberations. We would like to deal with the situation by consulting with other opposition parties in the belief that deliberations must be carried out as necessary."

The government and the ruling coalition have tried to coordinate views not to extend the session on the assumption that the bills amending the refueling legislation and the financial function strengthening law will get Diet approval in the current session. But witnessing the DPJ's shift to a hard-line stance yesterday, a person close to the prime minister said: "An extension of the refueling mission is an international pledge, and if the DPJ boycotts deliberations, the Diet session would have to be extended." Meanwhile, Aso said to reporters: "(Whether or not to extend the Diet session) would not be determined until the very end of the current session." Nevertheless, for getting important bills enacted, extending the session seems inevitable.

Aso expressed wariness about the DPJ's possible attempt to prolong deliberations following the presentation of a second supplementary budget. But Ozawa emphatically said in the meeting: "I promise, taking responsibility as leader, to conduct deliberations from a commonsense standpoint and reach a conclusion in the Diet." After the meeting, Aso implied to reporters that the government might submit a second supplementary budget to the current session on the condition that the DPJ take a vote on it at an early date, saying: "It is one idea to get the supplementary budget (enacted) in the current session."

The LDP is still alarmed, with one leader saying, "What Mr. Ozawa said does not ensure anything." But there has appeared a possibility to submit the budget to the current session, with a person close to Aso saying: "There is no reason not to present the budget."

TOKYO 00003166 005 OF 009

5) Prime minister in difficult position over whether to submit second extra budget in current Diet session

MAINICHI (Page 2) (Excerpts)
November 18, 2008

In meeting with Democratic Party of Japan leader Ichiro Ozawa yesterday, Prime Minister Taro Aso stopped short of mentioning whether the government would submit in the current Diet session a second fiscal 2008 extraordinary budget bill that would include fiscal resources for additional economic stimulus measures. Coordination in the government ran into trouble over a fixed-amount cash handout program, a key element in the second extra budget. Given this, difficult deliberations on the program are expected. But if the government decides to delay the submission of the bill, questions might be raised about the government's pledge to give priority to boosting the economy. Under this situation, Aso has been under intense pressure to make a hard decision.

In the party head talks, Ozawa insisted that the second supplementary budget bill be submitted during the current Diet session, but Aso responded to Ozawa with this question: "Will (the DPJ) agree to deliberate on the bill? Will the party agree to take a vote on the bill (at an early date)?" Ozawa replied: "Although we will not be able to support the bill, I responsively promise as the leader of the party to reach a conclusion in the Diet," but Aso just responded: "The government will quickly lay out (the bill)."

When he visited Washington to attend the financial summit, Aso also indicated his eagerness to submit a second extra budget during the current Diet session, remarking: "I think it would be better to submit the bill as quickly as possible." In the ruling camp, however, the dominant view is that the bill should be submitted in the next ordinary Diet session in January, so the prime minister now finds it difficult to switch plans and submit the bill to the ongoing session.

A senior New Komeito member who was briefed about the contents of the party head talks commented last night: "If the DPJ tries to prolong deliberations by means of all-out resistance, the second extra budget will also be affected." But some ruling party members point out the prime minister's lack of leadership as one of the main causes for the confusion over fixed-amount cash handouts. One member grumbled: "Even if the government submits a bill during the current Diet session, the bill will just be criticized by the opposition bloc. It would be better to make a fresh start."

6) DPJ plunges into battle mood, set off by Aso's remark indicating delay of Lower House dissolution to spring or later

MAINICHI (Page 2) (Excerpts)
November 18, 2008

In meeting with Prime Minister Taro Aso yesterday, Democratic Party of Japan (DPJ) President Ichiro Ozawa insisted that a second fiscal 2008 supplementary budget bill should be submitted during the current Diet session. But Ozawa, complaining that Aso's reply was unsatisfactory, has begun to take a confrontational stance. When the DPJ was unable to find any effective means of attack with only two weeks left until the end of the ongoing session, the prime minister made a statement indicating a delay in the dissolution of the House of Representatives to the spring or later. The main opposition party

TOKYO 00003166 006 OF 009

jumped at this remark and took advantage of the "error" made by the other side only a few days before the planned vote on a bill amending the New Antiterrorism Special Measures Law to extend the Maritime Self-Defense Force's refueling mission in the Indian Ocean. But it is still uncertain whether the DPJ would be able to force the government to dissolve the Lower House at an early date.

Ozawa told Aso during their talks yesterday: "You pledged to the people that priority will be given to economic growth over an election. You have yet to implement this pledge although only two weeks are left until the end of the current Diet session. That is beyond my comprehension." According to a participant, "Mr. Ozawa was speaking about 90 PERCENT of the total amount of time used for the meeting."

Many DPJ members had taken the current Diet session as "a throwaway match," seeing calls growing in the ruling camp for forgoing the submission of a second extra budget in the current session. On Nov. 14, the DPJ accepted a request from the People's New Party and decided to present a plan to start deliberations on a bill reviewing postal privatization as the condition for voting on such key bills as the refueling bill. But a senior House of Councillors member said: "It is difficult to change the planned date of voting the bill on the 18th."

Despite the circumstances, Ozawa stated in an executive meeting yesterday morning: "The prime minister said that he would not dissolve the Diet before April. I will ask him about that." This remark completely changed the atmosphere. A senior member of the Diet Affairs Committee said: "He might be aiming to urge the Aso government to submit a second extra budget bill by having it extend the current Diet session and then cause damage to the administration."

7) JCP, SDP criticize Ozawa's response

NIKKEI (Page 2) (Full)
November 18, 2008

Japanese Communist Party Head of the Secretariat Tadayoshi Ichida in a press conference yesterday criticized the fact that Democratic Party of Japan President Ichiro Ozawa in his talks earlier in the day with Prime Minister Taro Aso sought the presentation of a second supplementary budget to the current Diet session by linking it to a vote on a bill extending the refueling legislation. Ichida said: "(The refueling legislation and the second supplementary budget) are different in nature, so they must not be linked to each other in discussion." Social Democratic Party head Mizuho Fukushima, too, emphatically said to the press: "I cannot understand at all (Mr. Ozawa's decision) to suddenly reject deliberations because the government has not presented a second supplementary budget and to reverse the agreement to take a vote."

8) Ozawa expressed willingness to give up his Diet seat?

YOMIURI (Page 4) (Full)
November 18, 2008

There was a discrepancy yesterday in explanations between the ruling bloc and Democratic Party of Japan President Ichiro Ozawa on whether or not he had said, "I am willing to give up my Diet seat," over the handling of a second supplementary budget for fiscal 2008 in his

TOKYO 00003166 007 OF 009

talks with Prime Minister Taro Aso earlier in the day.

A ruling party leader quoted Ozawa as telling Aso: "We would like to see the second supplementary budget presented to the current Diet session. Our party will cooperate in taking a vote on it. If this promise is broken, I will resign from the Diet." Another executive said: "Mr. Ozawa said, 'I will stake my political life on it,' and the prime minister asked, 'Are you sure?'"

Ozawa in a press conference after the meeting flatly denied the LDP explanation, saying, "I didn't say such a thing." The truth is shrouded in thick fog.

9) U.S. nuclear flattop conducts joint drill with MSDF

ASAHI (Page 34) (Full)
November 18, 2008

The USS George Washington, a nuclear-powered U.S. aircraft carrier that arrived at the U.S. Navy's Yokosuka base in September, showed its aircraft's deck landing practice to the press yesterday. Carrier-borne fighter-attack planes were lined up on the deck, and they took off with a roar. The George Washington also received supplies from a supply ship running alongside. "The exercise this time will be a message to show that the United States will do its best to maintain stability in the West Pacific," said George

Washington Carrier Strike Group Commander Richard Wren.

The George Washington is now on a training mission with the Maritime Self-Defense Force in waters off the Nansei Shoto islands, including exercises for anti-aircraft and anti-submarine warfare and also for ballistic missile defense. This is the first time for the George Washington to conduct such full-fledged training exercises in the region since her deployment to the 7th Fleet. Participating in the training exercises are about 25 vessels and 50 planes from the MSDF and 14 vessels and about 70 planes from the U.S. Navy.

10) ASDF exhibited cluster bomb in troop review; Tamogami in charge

TOKYO SHIMBUN (Page 1) (Full)
November 18, 2008

Even though the government has decided to scrap Japan's cluster bombs, this paper has learned known that the Air Self-Defense Force had exhibited a cluster bomb in a review of its troops on Oct. 19, introducing it as a weapon that can be mounted on fighter planes. The person responsible for the review was former ASDF Chief of Staff Tamogami, who has been dismissed for his publication of an essay differing from the government's view regarding a war of aggression. Tamogami was opposed to prohibiting cluster munitions. Given this fact, the cluster bomb might have been intentionally put on display.

The ASDF review was held at the ASDF's Hyakuri Base in Ibaraki Prefecture. There were about 7,000 people at the review, including guests from abroad. The event was held in the presence of Prime Minister Taro Aso, Defense Minister Yasukazu Hamada, and brass officers from the Self-Defense Forces. In addition to ASDF aircraft's flight demonstrations, ASDF planes and missiles were displayed.

The cluster bomb in question has about 200 bomblets that can kill or

TOKYO 00003166 008 OF 009

injure enemy troops in an area that is three times larger than a soccer ground. It was displayed along with F-15 and F-2 fighter planes exhibited in a hangar. Its explanatory panel did not refer to the government's decision to scrap Japan's cluster bombs.

The Defense Ministry has already earmarked a total of 7.5 billion yen in its budget request to study how to scrap the cluster bombs and to procure alternative weapons. However, the government had initially been opposed to banning the cluster munitions, taking the position that such weapons are necessary for the defense of Japan as a country with long coastlines. Especially, Tamogami insisted, "Unexploded bombs could also damage (Japanese) people, but damage from being occupied is far more serious."

The ASDF's public relations office commented: "It was on display in the last review (three years ago), so we just showed it. There was no particular intent. There was no order from Chief of Staff Tamogami, either."

11) Iraq tenacious in negotiating with U.S. on security accord; SOFA also studied

ASAHI (Page 8) (Full)
November 18, 2008

Iraq negotiated with the United States for a security agreement after studying the Japan-U.S. Status of Forces Agreement (SOFA).

In early June, Iraqi Deputy Foreign Minister Hammoud visited Japan for five days. According to Japanese government officials, Hammoud asked for detailed explanations about the SOFA's history and implementation and showed interest particularly in criminal trial procedures.

How to handle U.S. soldiers has been a matter of major concern in Japan as well. Under the SOFA, Japan has primary jurisdiction over off-duty crimes. However, the United States is to judge whether such crimes were committed off duty. Municipalities saddled with U.S.

military bases are therefore greatly dissatisfied.

In particular, the problem is the case where the U.S. military detained U.S. military suspects over off-duty incidents or accidents. The SOFA stipulates that the U.S. military will detain them until they are indicted.

In 1995, a schoolgirl rape that occurred in Okinawa Prefecture enraged local people. In its aftermath, the Japanese and U.S. governments concurred on improving the SOFA's implementation. The United States then agreed to show "sympathetic consideration" for Japanese investigative authorities' requests to hand over U.S. military suspects in serious crimes, such as rape and murder, before they are indicted. In 2004, Japan agreed to allow the presence of those connected to the U.S. military when local police question U.S. military suspects. Instead, Japan will request the U.S. military to turn over U.S. military suspects in all criminal cases that seriously concern Japan. The Iraqi vice minister was surprised to hear the situation in Japan, saying Japan and the United States are so advanced.

12) Japan slips to 98th place in gender quality ranking

ASAHI (Page 2) (Slightly abridged)

TOKYO 00003166 009 OF 009

November 18, 2008

(Shigeo Tosa, London)

The World Economic Forum, based in Geneva, has announced the latest global gender gap report covering 130 countries. While Scandinavian countries held the top positions, Japan's place dropped from 91 in the previous year to 98. The slip is attributed to the number of female lawmakers and the gender gap in terms of promotions.

The survey was conducted by creating indices in the political, economic, education, and health areas. Japan did well in health, as it came out on top as to the average life span. But Japan ranked 107th in the political area and 102nd in the economic area.

Norway, Finland, and Sweden held the top three places for three years in a row. China rose from 73rd to 57th.

SCHIEFFER